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EU-27

Agricultural Situation

European Commission publishes 'Health Check' of the CAP

2007

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Report Highlights:

On Tuesday, November 20 the European Commission published its '*Communication from the Commission to the Council and the European Parliament preparing for the 'Health Check' of the CAP reform*'. The Communication is designed to initiate a wide-ranging six-month consultation, after which the Commission intends to develop legislative proposals. It is hoped that those proposals will be adopted by the Council by the end of 2008 to come into effect immediately after adoption.

Includes PSD Changes: No
Includes Trade Matrix: No
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On Tuesday, November 20 the European Commission published its '*Communication from the Commission to the Council and the European Parliament preparing for the 'Health Check' of the CAP reform*'. The document is available here: ([COM\(2007\) 722](#)).

The Commission asserts that the Health Check addresses the following issues:

- how to make the direct aid system more effective and simpler;
- how to make market support instruments, originally conceived for a Community of Six, relevant in today's environment;
- and how to confront new challenges including climate change, biofuels, water management and the protection of biodiversity.

The Communication is designed to initiate a wide-ranging six-month consultation, after which the Commission intends to develop legislative proposals. It is hoped that those proposals will be adopted by agriculture ministers by the end of 2008 during the French Presidency of the EU to come into effect immediately after adoption. During 2007 and 2008, the Commission will develop its approach to the budgetary review 2008/2009. The Health Check constitutes a preparatory action within this framework, without prejudging the outcome of the review.

The **measures suggested** include making the Single Payment Scheme simpler and more efficient.

The **following ideas** are discussed:

- moving away from payments based on historical receipts towards a flatter rate system;
- increasing the rate of decoupling in those Member States which opted in a number of farm sectors to maintain the link between subsidy and production, although coupled support could still play a role in regions where production is small-scale but of particular economic or environmental importance;
- gradually reducing the support level as overall payments to big farmers increase, starting from a level of, for example, Euro 100,000 per year. This would have to differentiate between multiple-owner farms with many workers and single-owner farms with just a few;
- increasing the amount of land a farmer has to own before qualifying for EU support from the current 0.3 hectares;
- reviewing the cross-compliance standards which farmers are obliged to respect to receive their support from Brussels. This could mean stripping out unnecessary obligations, but also adding new ones to deal with new challenges including improving water management and mitigating climate control.

As regards **adjusting market support instruments to make them relevant for an EU of 27 Member States**, the Communication asks:

- should intervention revert to its original purpose as a real safety-net, particularly given the current market prices?
- Could intervention for most grains be set at zero, while maintaining intervention for a single grain (eg bread-making wheat)?
- Should set-aside be abolished, while finding new ways of preserving the environmental benefits it has brought?
- Milk quotas are already programmed to disappear in 2015, but should there be a gradual increase in quotas between now and then to allow a 'soft landing' for the sector? This should examine possible measures to help dairy farmers in those regions of the EU, such as mountain areas, which depend significantly on dairy production.

Regarding **response to new challenges**, the Communication examines how agricultural policy can respond to issues including managing risk, fighting climate change, managing water more effectively, optimizing opportunities offered by bioenergy and preserving biodiversity. Climate change and water management objectives could be met through cross compliance. There should be incentives to improve action in these areas, which could be financed through Rural Development Policy. The Communication proposes increasing the rate of modulation (ie the reduction of direct payments to all farms receiving more than Euro 5,000 per year and the transfer of the money into the rural Development budget. This could increase gradually from 5 percent to 13 percent in 2013. The appropriateness of the energy crop premium should also be examined given new incentives for biofuels production including the compulsory bioenergy targets and high prices.

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